



Department of Revenue
Property Tax Division

AGRICULTURAL PROPERTY MANUAL

Chapter 4

Valuation

Issued: **January 1, 2004**

CHAPTER 4

VALUATION



VALUATION OF AGRICULTURAL LAND

In order to collect agricultural property rental data, A.R.S. § 42-13102 requires that an agricultural land lease statement must be filed with the local County Assessor for each lease of agricultural land for a period of more than ninety days. It also requires specific information including the "cash or cash equivalent of the lease payments."

Agricultural Use Land Value. A.R.S. § 42-13101(A) requires that land used for qualified agricultural purposes shall be valued using only the statutory income capitalization valuation procedure without any allowance for urban or market influences. Pursuant to this statute, the capitalization rate that is used to value agricultural land is to be the average of the annual effective interest rates that are charged by Farm Credit Services Southwest on long-term loans over the preceding five calendar years, plus one and one-half percentage points. The agricultural capitalization rate is computed annually by the Department and is provided to all Arizona County Assessors. The capitalization rate is applied to the agricultural land rental income for the district that is developed from the agricultural land lease statements reported to the Assessor.

Nonagricultural Full Cash Value. Land that may currently be used for some agricultural purpose, but which has not been approved for qualified agricultural classification status by the local County Assessor, is considered to be a "nonqualifying property." It must be given a nonagricultural full cash value utilizing all applicable standard appraisal methods and techniques. Nonagricultural full cash value is that full cash value as prescribed in A.R.S. § 42-11001(5), and it is synonymous with "market value." The statutory income capitalization valuation procedure must not be used to value the land of any nonqualifying agriculturally used property, or the land of any property that is used for any other category of property use.



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PROCEDURES FOR ESTABLISHING AGRICULTURAL LAND VALUES

The valuation of qualified agriculturally used land employs the following process:

- 1. Identify the Type of Agricultural Operation.** All available lease information for each agricultural productivity zone or district should be collected and grouped by the crop grown, by high-density use or by ranching (grazing) use.
- 2. Divide the County into Zones by Type of Agricultural Operation.** Agricultural productivity zones or districts for each type of operation should be identified within each county for different agricultural activities such as grazing, cropland, permanent plantings, and various high-density agricultural uses. The purpose of doing this is to identify the properties in those agricultural zones that have similar characteristics, such as soil types, crop types, crop productivity, water sources, costs, and availability, and typical agricultural practices. Identifying these zones will assist the local County Assessor in determining values per acre for land of similar agricultural use.
- 3. Collect the Lease Data by Type of Agricultural Operation.** Due to the relatively limited amount of agricultural land lease information available (mostly because of the large number of owner-operated agricultural properties), nonreporting could lead to inadequate data being available to the County Assessors to accurately ascertain "average annual net cash rental" amounts in all areas or zones. The use of five-year averaging helps smooth out reporting inconsistencies.

The lease statements that are selected for evaluation should be, as nearly as possible, representative of the entire agricultural productivity zone. The desirable leases are those that are for full calendar years; payments are in cash; the leases can be interpreted to be true arm's length market transactions; and those not having the appearance of being influenced by family or business connections.



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Note: The ultimate objective is to value **all** qualified agriculturally used privately-owned land in the County Assessor's jurisdiction, not simply any land that may be leased. The statutory income capitalization valuation procedure makes no allowance for the collection or analysis of owner-operated agricultural property income and expense data. Nor is there any statutory income capitalization valuation procedure for them. Due to the many variations in the income and expense components of the various types of owner-operated agricultural operations, and a general lack of market sales activity, the resulting subjective nature of their analysis and comparison precludes a standard income capitalization approach to valuation for these properties. Therefore, the land of these owner-operated properties is also being valued predicated on the land lease information for the district that is submitted by the owners of leased land that is qualified for agricultural use classification and statutory valuation.

The following questions about leased land should be considered in determining whether or not the lease is typical of local agricultural operations:

- Are the lease terms typical of comparable land leased for similar grazing, crop raising, or high-density agricultural uses?
- Is there sufficient evidence to prove that the lease is enforceable and entered into as an arm's length transaction?
- Is the rental amount consistent with typical farming or ranching leases in the area?

Lease statements which should be excluded from the analysis include those reflecting nontypical rents, initial sharecrop leases, leases that show payment in some form other than cash, and those leases that are not arm's-length. However, the County Assessor may need to analyze all available leases to obtain a broad enough base for a proper analysis. Caution must also be exercised with partial-year leases, which may be typical of leases for agricultural land in some areas. The County Assessor must determine that all leases are obtained for the entire year, since two or more partial-year leases could be combined to substitute for a single, yearlong lease on a particular parcel.



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For example, two or more crops may be grown on a parcel during different growing seasons in the same year, each under a different lease, and possibly by different lessees. Appropriate care must be taken to assure that these leases represent typical lease conditions for properties in that area. In March, the land is leased for a cotton crop at \$20 per acre per month for six months. In November, the same land is leased for winter wheat at \$15 per acre per month for three months. The land is considered to be incapable of production for the balance of the year. To determine gross annual income, the leases must be combined:

| | |
|--|--------------------|
| \$20 per acre x 200 acres = \$4,000 x 6 months = | \$24,000 |
| 15 per acre x 200 acres = 3,000 x 3 months = | 9,000 |
| <u>0 per acre x 200 acres = 0 x 3 months =</u> | <u>0</u> |
| Totals | 12 months \$33,000 |

The total annual rent can then be divided by the number of acres. In this example, it results in \$165 gross rent per acre for the year (\$33,000 ÷ 200 acres). This analysis develops a **gross cash rental**. To develop a **net cash rental**, all applicable expenses of the owner involved in leasing this land must be subtracted from the gross cash rental (see Item 5, Analysis of Expenses, below).

A.R.S. § 42-13101, governing the property tax valuation of private (patented) qualified agriculturally used land, requires that only the statutory income capitalization valuation procedure be utilized, using arm's-length rental agreements of comparable properties for the previous five-year period to determine the estimated "net cash rental" income of an agriculturally used property.

Two points should be made regarding public grazing land, because public land grazing fees may not be reflective of what are true "arm's-length" contractual agreements and rental amounts for the leasing of private land.



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First, public land grazing leases are very common to ranching operations in Arizona. Leased public land usually constitutes a significant part (often, the majority) of a ranching operation's total area. The investment in cattle can be greater than the investment in land since the cattle graze mostly on leased public land. Therefore, these leased public lands can directly affect the overall productivity and profitability of the entire privately held cattle raising operation being valued.

Second, a common ranching practice is to obtain a lease on public land at a rate based on various federal government formulas which result in a reduced lease rate. That lease might be excluded from analysis. However, the lessee may then sublease all or part of that land at a market rate for private leased land. In so doing, the sublease becomes a market lease, and a representative example for the district.

It is very important when analyzing the reported land lease agreements of comparable ranching operations to determine if the leases or subleases utilized include any public land grazing leases, which agency the land is leased from, and if the terms and conditions are significantly different from any local area private land leases. The County Assessor should determine whether or not the terms of the public land grazing leases in effect in the area (or any subleases) are applicable to all ranching operations equally.

If public land lease terms can be considered essentially equal in the area, no value adjustments for public land leases may be necessary. However, if the lease terms for State Trust land versus BLM land versus U.S. Forest Service land in the same area, zone or district differ significantly, and if the local ranching operations being analyzed use the public land of different agencies in conjunction with their privately owned or leased holdings, adjustments for those value differences should be made, as appropriate. If any such adjustments appear necessary, but cannot be effectively determined, the County Assessor should exclude such public land leases from the comparable lease analysis for the valuation of the privately owned rangeland.



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4. Select a Representative Sample. A representative sample of cash agricultural land lease statements should be used in estimating the "average annual net cash rental" for valuation purposes. Within any district or zone, there may be a lack of agricultural lease information available for determining values. In such cases, agricultural lease information from outside the district, or even from outside of the county, may need to be used as a basis for determining agricultural land values within these districts. If this is necessary, a careful analysis must be made to ensure that comparable properties have similar characteristics. Those characteristics may include climate, production costs, quantity and quality of available water, soil characteristics, carrying capacity, crop productivity, crop patterns and types, etc. Net cash lease amounts will exclude property and sales taxes. Therefore, no adjustment for taxes is necessary for the use of those data in other locations. The use of agricultural lease information from other zones or districts requires the prudent exercise of discretion, opinion and judgement by the County Assessor. The information utilized must be thoroughly documented and should be regularly reviewed.

5. Analyze the Data.

Analysis of Expenses. A.R.S. § 42-13101 states that the average net cash rental is the "...annual net cash rental, excluding real estate and sales taxes, determined through an analysis of typical arm's length rental agreements," so all real estate and sales taxes must be subtracted from gross rent. In addition, A.R.S. § 42-13102 requires the reporting of the lessor's expenses associated with the property, excluding land cost, interest on the land cost, income taxes, depreciation and the cost of capital improvements. The lessor's expenses may be deducted from gross rental amounts to determine the net cash rental amount that is to be capitalized using the statutory income capitalization valuation procedure for qualified agriculturally used land.



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Appropriate expenses that are attributable to agricultural land rental may include insect and weed eradication assessments, deep-ripping, laser leveling, irrigation ditch construction, maintenance and repair, and any other direct costs of maintaining or improving the agricultural productivity of the land. These owner expenses are reported on the Statement of Agricultural Land Lease (DOR Form 82917).

All expenses occurring from the production of the crop or commodity itself are a normal operating expense of the lessee, and these expenses must not be deducted from the lessor's gross rental income received. Examples of these expenses include seed, fertilizer, and the lessee's equipment and labor costs. Only those owner's expenses that are directly related to generating the rental income from the land are allowable deductions. A simple analysis, that should be applied to each lease, would be: Gross rent minus real estate and sales taxes, and minus other allowable operating expenses, equals the average annual net cash rental amount.

Average Annual Net Cash Rental. Leases from each specific zone or district should be analyzed to determine a five-year average rent per acre for each agricultural land use category. The five-year average rent per acre can then be used as the average annual net cash rental to be capitalized for valuation of the qualified land in each category. In most cases, the appropriate unit of comparison is the net rent per acre.

Capitalization Rate. Arizona law is very specific in the definition of the capitalization rate that is to be used for the valuation of qualified agricultural land. As required by A.R.S. § 42-13101(2), the average annual net cash rental "shall be capitalized at a rate 1.5 percentage points higher than the average long-term annual effective interest rate for all new farm credit services loans for the five year period before the year for which the valuation is being determined." These annual interest rates are provided to the Department of Revenue by Farm Credit Services Southwest, the successor to the Federal Land Bank.



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The Department then computes the five-year average, adds the one and one-half percentage points, and publishes the capitalization rate to be used for the following tax year. Refer to Table 4.2, or Appendix B, which both provide illustrations of the calculation of the agricultural land capitalization rate.

- 6. Land Valuation Using the Statutory Formula.** Qualified agricultural land is to be valued using a statutory income capitalization valuation procedure, prescribed by A.R.S. § 42-13101. That statutory income capitalization valuation procedure is based on the premise of the standard income approach to valuation formula recognized as "IRV" wherein the income to be capitalized (I), divided by the capitalization rate (R), equals the property value (V). In the case of qualified agricultural land, the income to be capitalized has been determined by a careful analysis of the Statements of Agricultural Land Leases and other supporting documents. The capitalization rate is calculated and provided to all Arizona County Assessors by the Department of Revenue. The unknown part of the valuation formula is the land value, which must be calculated. An example of this calculation is found in Tables 4.1 and 4.2.

Table 4.1, located on the following page, provides a detailed illustration of a five-year analysis of agricultural land net rental income through an examination of hypothetical agricultural lease statements. The resulting Average Annual Net Cash Rent figure for the five-year period is \$102.22 per acre.



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Table 4.1

Example of Net Cash Rent per Acre Excluding Sales and Property Taxes

| YEAR | LEASE # | GROSS RENT PER ACRE | GROSS ACRES | TOTAL GROSS RENT | PROP TAX DEDUCT | OPERAT EXPENSE % | OPERAT EXPENSE \$ | NET RENT INCOME | NET RENT PER ACRE |
|--------------------------|---------|---------------------|-------------|------------------|-----------------|------------------|-------------------|-----------------|-------------------|
| One | One | \$ 125.00 | 300 | \$ 37,500 | \$ 5,100 | 5% | \$ 1,875 | \$ 30,525 | \$ 101.75 |
| One | Two | \$ 130.00 | 40 | \$ 5,200 | \$ 680 | 6% | \$ 312 | \$ 4,208 | \$ 105.20 |
| One | Three | \$ 125.00 | 125 | \$ 15,625 | \$ 2,125 | 6% | \$ 938 | \$ 12,563 | \$ 100.50 |
| One | Four | \$ 120.00 | 660 | \$ 79,200 | \$ 11,220 | 5% | \$ 3,960 | \$ 64,020 | \$ 97.00 |
| One | Five | \$ 127.50 | 52 | \$ 6,630 | \$ 884 | 5% | \$ 332 | \$ 5,415 | \$ 104.13 |
| Total | | \$ 627.50 | 1,177 | \$ 144,155 | \$ 20,009 | | \$ 7,416 | \$ 116,730 | \$ 508.58 |
| Average | | \$ 125.50 | \$ 235 | \$ 28,831 | \$ 4,002 | 5% | \$ 1,483 | \$ 23,346 | \$ 101.72 |
| | | | | | | | | | |
| Two | One | \$ 125.00 | 300 | \$ 37,500 | \$ 5,100 | 7% | \$ 2,625 | \$ 29,775 | \$ 99.25 |
| Two | Two | \$ 130.00 | 40 | \$ 5,200 | \$ 680 | 5% | \$ 260 | \$ 4,260 | \$ 106.50 |
| Two | Three | \$ 125.00 | 125 | \$ 15,625 | \$ 2,125 | 5% | \$ 781 | \$ 12,719 | \$ 101.75 |
| Two | Four | \$ 120.00 | 660 | \$ 79,200 | \$ 11,220 | 6% | \$ 4,752 | \$ 63,228 | \$ 95.80 |
| Two | Five | \$ 127.50 | 52 | \$ 6,630 | \$ 884 | 5% | \$ 332 | \$ 5,415 | \$ 104.13 |
| Total | | \$ 627.50 | 1,177 | \$ 144,155 | \$ 20,009 | | \$ 8,750 | \$ 115,396 | \$ 507.43 |
| Average | | \$ 125.50 | \$ 235 | \$ 28,831 | \$ 4,002 | 6% | \$ 1,750 | \$ 23,079 | \$ 101.49 |
| | | | | | | | | | |
| Three | One | \$ 125.00 | 300 | \$ 37,500 | \$ 5,550 | 6% | \$ 2,250 | \$ 29,700 | \$ 99.00 |
| Three | Two | \$ 130.00 | 40 | \$ 5,200 | \$ 740 | 5% | \$ 260 | \$ 4,200 | \$ 105.00 |
| Three | Three | \$ 125.00 | 125 | \$ 15,625 | \$ 2,313 | 6% | \$ 938 | \$ 12,375 | \$ 99.00 |
| Three | Four | \$ 120.00 | 660 | \$ 79,200 | \$ 12,210 | 7% | \$ 5,544 | \$ 61,446 | \$ 93.10 |
| Three | Five | \$ 127.50 | 52 | \$ 6,630 | \$ 962 | 5% | \$ 332 | \$ 5,337 | \$ 102.63 |
| Total | | \$ 627.50 | 1,177 | \$ 144,155 | \$ 21,775 | | \$ 9,323 | \$ 113,058 | \$ 498.73 |
| Average | | \$ 125.50 | \$ 235 | \$ 28,831 | \$ 4,355 | 6% | \$ 1,865 | \$ 22,612 | \$ 99.75 |
| | | | | | | | | | |
| Four | One | \$ 130.00 | 300 | \$ 39,000 | \$ 5,625 | 6% | \$ 2,340 | \$ 31,035 | \$ 103.45 |
| Four | Two | \$ 132.50 | 40 | \$ 5,300 | \$ 750 | 5% | \$ 265 | \$ 4,285 | \$ 107.13 |
| Four | Three | \$ 130.00 | 125 | \$ 16,250 | \$ 2,344 | 5% | \$ 813 | \$ 13,094 | \$ 104.75 |
| Four | Four | \$ 128.00 | 660 | \$ 84,480 | \$ 12,375 | 6% | \$ 5,069 | \$ 67,036 | \$ 101.57 |
| Four | Five | \$ 130.00 | 52 | \$ 6,760 | \$ 975 | 5% | \$ 338 | \$ 5,447 | \$ 104.75 |
| Total | | \$ 650.50 | 1,177 | \$ 151,790 | \$ 22,069 | | \$ 8,824 | \$ 120,897 | \$ 521.65 |
| Average | | \$ 130.10 | \$ 235 | \$ 30,358 | \$ 4,414 | 5% | \$ 1,765 | \$ 24,179 | \$ 104.33 |
| | | | | | | | | | |
| Five | One | \$ 130.00 | 300 | \$ 39,000 | \$ 5,775 | 6% | \$ 2,340 | \$ 30,885 | \$ 102.95 |
| Five | Two | \$ 132.50 | 40 | \$ 5,300 | \$ 770 | 5% | \$ 265 | \$ 4,265 | \$ 106.63 |
| Five | Three | \$ 130.00 | 125 | \$ 16,250 | \$ 2,406 | 5% | \$ 813 | \$ 13,031 | \$ 104.25 |
| Five | Four | \$ 128.00 | 660 | \$ 84,480 | \$ 12,705 | 6% | \$ 5,069 | \$ 66,706 | \$ 101.07 |
| Five | Five | \$ 130.00 | 52 | \$ 6,760 | \$ 1,001 | 5% | \$ 338 | \$ 5,421 | \$ 104.25 |
| Total | | \$ 650.50 | 1,177 | \$ 151,790 | \$ 22,657 | | \$ 8,824 | \$ 120,308 | \$ 519.15 |
| Average | | \$ 130.10 | \$ 235 | \$ 30,358 | \$ 4,531 | 5% | \$ 1,765 | \$ 24,062 | \$ 103.83 |
| | | | | | | | | | |
| FIVE-YEAR AVERAGE | | | | | | | | \$ 102.22 | |



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Table 4.2 shows an example of the five-year, long-term effective interest rates that are provided by Farm Credit Services Southwest. These rates are the basis for computing the capitalization rate for agricultural land that is used in the income capitalization valuation procedure that is specified by statute. The table illustrates a five-year average effective interest rate of 8.60 percent. As required by A.R.S. § 42-13101(B)(2), 1.5 percentage points must be added to that average interest rate, which then yields the capitalization rate of 10.10 percent:

Table 4.2
Example of
Farm Credit Services Southwest
Long Term Effective Interest Rates
and Capitalization Rate Calculation

| <u>Year:</u> | <u>Effective Interest Rate:</u> |
|----------------------------------|-------------------------------------|
| One | 8.62 |
| Two | 8.20 |
| Three | 9.75 |
| Four | 8.33 |
| Five | <u>8.09</u> |
| Five-year average = | 8.60 |
| plus 1.50 percent | <u>+ 1.50</u> |
| New Capitalization Rate = | 10.10% |

Using the five-year annual average net cash rental of \$102.22 illustrated in Table 4.1, and utilizing the capitalization rate of 10.10 percent based on the illustration above, the agricultural use value for the acreage in this example was calculated to be approximately \$1,002 per acre. ($\$102.22 \div .1010 = \$1,002.18$, rounded to \$1,002).



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MIXED-USE PROPERTIES

Agricultural properties are often used for more than one purpose simultaneously. Examples are a roadside retail sales vegetable stand beside the field where the produce is grown, or a farmer's homesite on the same parcel as the cropland. These properties, which are referred to as "mixed-use" properties, must be classified proportionately, by value, in the appropriate legal class for each use occurring on the property. The complete procedure for calculating the effective assessment ratio for mixed-use parcels, along with examples, is described in the Assessment Procedures Manual, Part 3, Chapter 2.

OTHER VALUATION CONSIDERATIONS WITHIN THE AGRICULTURAL OPERATION

Buildings and Other Structures. Structural improvements will vary significantly according to the production needs of the particular agricultural operation. This fact, combined with the generally limited sales activity of agricultural operations, makes both a market sales comparison analysis, and a standard income approach valuation of the improvements (a building residual analysis) ineffectual. Therefore, all structural improvements should be valued using the cost approach. Appraisal information and construction cost data for the valuation of buildings and structures that are used in connection with agricultural land can be obtained from the Department of Revenue's current Construction Cost System or the County Assessor's Office.

Improvements will usually be classified in the same legal class as the land (Legal Class Two), but there are two typical exceptions. The first exception is the structures on a portion of an agricultural parcel that is being used as the family homesite. (See Chapter One, Definitions, Homesite Acreage, and below.) That portion of the parcel that is supporting the residential structures is valued using current market sales data, while the structures are valued using the cost approach. Both that portion of the parcel that is used for the residential homesite, and the residential structures are classified as Legal Class Three, creating a mixed-use assessment ratio for the entire parcel.



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The second exception, pursuant to A.R.S. § 42-12004(6), is the real and personal property of residential structures that are maintained for occupancy by any seasonal or full-time agricultural employees as a condition of employment or as a convenience to the employer. These should be classified as Legal Class Four. However, the land that is associated with these residentially used structures shall be valued as agricultural land, pursuant to A.R.S. § 42-13101, and is to be classified as Legal Class Two. This also creates a mixed-use ratio.

Note: If a qualified agricultural parcel has residential improvements leased to someone outside of the family who has no connection to the farming operation, that portion of the land cannot be valued by using the statutory income capitalization valuation procedure. A tenant-occupied homesite (usually one acre or less) is created. This portion of the parcel should be valued using market sales for land in the area. The land and improvements should then be classified as Legal Class Four, pursuant to A.R.S. § 42-12004(1), creating a mixed-use assessment ratio for the agricultural parcel.

Headquarters Land. Land that is central to the agricultural operation, with barns, sheds, corrals, machinery storage, etc. that are necessary for the activities of the operation located on it, should be valued in the same manner as the agriculturally used land. Headquarters land may be included in gross acreage to meet the minimum acreage requirements necessary for agricultural use classification. Headquarters land excludes the owner's homesite acreage. Any land under residential structures that are maintained for occupancy by seasonal or full-time agricultural employees is to be valued in a manner consistent with the agricultural use of the overall agricultural operation using the statutory income capitalization valuation procedure, but the improvements are to be classified as Legal Class Four, pursuant to A.R.S. § 42-12004(6).

Homesite Acreage. The land that is used for the family residence (typically one acre or less) in the agricultural operation shall be valued using the market sales comparison approach. If only a portion of one parcel is utilized, a mixed-use assessment ratio for the parcel will result. The homesite is a residential land use and it is to be classified as Legal Class Three with a ten percent assessment ratio.



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Improvements on Possessory Rights (IPRs). Improvements on unpatented (nondeeded) land or mining claims, and federal and state leased land are to be listed on the tax rolls and have the following characteristics:

1. They are relatively permanent in nature.
2. They are the result of labor and capital expended.
3. They enhance the value of the property.

Improvements on public land held under grazing permits are taxable unless title to the improvements passes to the Federal Government at the termination of the lease. Examples include stock tanks and all earthen reservoirs on Bureau of Land Management (BLM) land; or tanks, ditches, fences and wells on Forest Service (USFS) land. Taxable improvements on or to nontaxable land include buildings, wells, irrigation systems (including sprinkler systems), stock tanks, dams, windmills, fences and roads. Those improvements should be treated by the County Assessor as though they are personal property.

IPRs will be listed and valued using the Department of Revenue's Construction Cost Manual. Ditches, tanks, fences and wells on state land will be valued using costs reported to the State Land Department. See A.R.S. §§ 37-231 and 37-322 for those costs. Ditches and fences on BLM or USFS land will be valued using costs reported to them.

Permanent Crops. In Arizona, plants, trees and vines are called "permanent" crops and they are considered to be improvements on the land. They are not included as a part of the land value. They should be valued using the cost approach. Plants, trees and vines are valued at maturity. Their value remains stable until a decline in production occurs.

Examples of plantings that produce permanent crops are:

1. Vineyards - producing wine grapes.
2. Nut Trees - producing pecans, almonds, pistachios, etc.
3. Jojoba shrubs - producing edible beans.



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4. Citrus Trees - producing grapefruit, lemons, oranges, etc.
5. Apple and Stone Fruit Trees - producing peaches, cherries, plums, etc.
6. Christmas Trees. (See Appendix C regarding this type of tree as a crop.)
7. Date Palm Trees - producing edible fruit.
8. Olive Trees – producing edible olives.

Refer to Table C.1 in Appendix C of this manual to determine the per-acre value of permanent crop plantings at maturity and the number of years required to reach maturity by crop type. The values shown in Appendix C are based on their long-term average production, which includes consideration for any periodic crop losses. Because of the long-term averaging, these values should remain fairly constant. However, these values should be subject to periodic review by the local County Assessor.

Personal Property. Valuation schedules and related information pertaining to machinery and equipment, unlicensed vehicles and other typical items of agriculturally used personal property may be found in the Department's Personal Property Manual. Personal property that is used for agricultural purposes must be reported, on demand, each year to the local County Assessor in the county where it is located. The Department's Agricultural Business Personal Property Statement (DOR Form 82520A) was developed specifically for this required reporting.

Undeveloped Land. Natural, or raw, vacant land within the gross farm acreage that is not used for planting and that does not meet the criteria for wasteland should be classified as vacant land. It is valued on the same basis as all other nonagricultural, undeveloped land of similar size, location, quality and potential use, using market sales data.

Wasteland. Wasteland is land contained within the gross acreage of a farm's cropland, but which is unusable for farming. Since it is usually also unbuildable land (e.g., washes, riverbottoms, flood damaged land, etc.) it should be valued using all applicable standard appraisal methods and techniques to reflect any inherent deficiencies.